

**Office of the
Attorney General**

Guidelines for Motor Vehicle Advertising in Idaho



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For most of us, purchasing a motor vehicle is a significant event in our financial lives. Consumers need sufficient and accurate information to make informed decisions about their motor vehicle purchases. Dealers, in turn, depend upon a fair and competitive marketplace. Such a marketplace can operate effectively, only when all dealers play by the same rules. The rules must ensure that no one has an unfair advantage.

To ensure truthful automobile advertising, the Office of the Attorney General, in 1993, adopted Idaho's Automobile Advertising and Sales Rule. The Rule is part of the Idaho Rules of Consumer Protection and has the force of law.

These Guidelines are intended to assist motor vehicle dealers in properly and truthfully advertising automobiles for sale. These Guidelines do not have the force of law. However, they do set forth some practices that the Office of the Attorney General considers misleading and deceptive.

Over the years, the Office of the Attorney General and automobile dealers have enjoyed a constructive relationship. Often the purchase of a motor vehicle will be, outside the purchase of a home, the largest or one of the largest purchases a consumer will make. Hence, the need for accurate information in any advertisement or sale of a motor vehicle is crucial. I thank you for taking the time to

familiarize yourself and complying with applicable law related to advertising automobiles for sale.

LAWRENCE G. WASDEN
Attorney General

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GUIDELINES FOR MOTOR VEHICLE ADVERTISING IN IDAHO

SCOPE OF THESE GUIDELINES

To ensure truthful automobile advertising, the Office of the Attorney General, in 1993, adopted Idaho's Automobile Advertising and Sales Rule. The Rule is part of the Idaho Rules of Consumer Protection and has the force of law.

These Guidelines are intended to assist motor vehicle dealers in properly and truthfully advertising automobiles for sale. These Guidelines do not have the force of law. However, they do set forth some practices that the Office of the Attorney General considers misleading and deceptive. Consequently, a violation of these Guidelines may result in the Office of the Attorney General pursuing an action under the provisions of the Idaho Consumer Protection Act (CPA) and Idaho's Automobile Advertising and Sales Rule. These Guidelines, though not exhaustive, should assist dealers in complying with applicable advertising law related to the sale or lease of an automobile.

The Guidelines are not a comprehensive listing of all deceptive automobile advertising practices. Neither do the examples provided herein ensure absolute protection against prosecution for violation of the Consumer Protection Act and applicable Rules. To ensure compliance, dealers should review their advertisement and sales practices for possible statements and representations that may have the capacity to mislead or deceive a consumer acting reasonably under the circumstances.

GUIDELINE NO. 1: CLEAR & CONSPICUOUS DISCLOSURES

Rule 232.01 of the Consumer Protection Rules (CPR) requires dealers to disclose all material terms and conditions of a vehicle sale in a “clear and conspicuous” manner. Material terms and conditions are those mandated by law and those, if excluded from the advertisement, would have the capacity, tendency, or effect of misleading or deceiving consumers acting reasonably under the circumstances. (CPR 30 discusses misleading conduct in general.)

To be clear and conspicuous, a statement, representation, or term must be located reasonably close to the term it clarifies, modifies, or explains. Additionally, the disclosure must be reasonably noticeable and understandable and must not contradict or substantially alter any term it clarifies, modifies, or explains. (CPR 20 provides definitions for commonly used terms.)

Idaho's Automobile Advertising and Sales Rule specifies that the following terms are subject to the “**clear and conspicuous disclosure**” requirement:

RULE

CITATION

SUMMARY OF THE RULE

CPR 232.01

Requires disclosure of all **material terms** and **conditions** regarding the offer, including those, if absent from the advertisement, would have the capacity, tendency, or effect of misleading a reasonable consumer.

CPR 232.02

Prohibits using **footnotes or asterisks** that confuse, contradict, materially modify, or unreasonably limit a

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SUMMARY OF THE RULE

principal message of the ad.

- CPR 232.03 Prohibits using **print size** so small that material terms and conditions are unnoticeable or hidden at the bottom of the page.
- CPR 232.04 Prohibits using inaccurate **photos or illustrations** to represent specific vehicles, such as showing a fully-loaded vehicle when the text refers to a minimally-equipped vehicle.
- CPR 232.05 Prohibits using **color contrasts** that make the text difficult to read.
- CPR 232.06 Prohibits using **abbreviations** that the general public may not understand and that federal or state law does not recognize. (Approved abbreviations include A.P.R., M.S.R.P., and O.A.C.).
- CPR 233.01.b Permits excluding the **dealer's documentation fee** from the vehicle's advertised price if the advertisement discloses: "PRICE DOES NOT INCLUDE \$_____ (insert actual amount charged for dealer documentation service fee) DEALER DOC. FEE."
- CPR 233.02 Requires disclosure of **material limitations**, including, but not limited to, (1) the number of in-stock vehicles that are subject to an advertised offer if the number will not meet reasonably expected public demand; (2) the

RULE
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SUMMARY OF THE RULE

inclusive effective dates of the offer if it is effective for 14 days or less or if the offer ends within 14 days; and (3) any other restrictions that apply to the advertised price.

CPR 233.05

Requires disclosure of the dealer's **price matching** policy and any limitations of the policy. This rule applies to phrases such as "meet your best offer," "we won't be undersold," or similar terms that suggest the dealer will beat or match a competitor's price.

CPR 233.07

Requires that dealers who advertise vehicles for sale at **prices compared to "invoice,"** designate that the invoice is the "factory" or "manufacturer's" invoice. The advertisement must also include: "FACTORY INVOICE MAY NOT REFLECT DEALER'S ACTUAL COST."

CPR 233.08

Requires disclosure that the advertised price applies only to a **specified number** of motor vehicles.

CPR 233.09

Requires that dealers who advertise vehicles at **"buy-down" rates** include "BELOW MARKET RATE MAY AFFECT PURCHASE PRICE OF CAR."

CPR 234.01

Requires that dealers who advertise **"demonstrator" vehicles** disclose the year, make, and model of the vehicle and that it is a demonstrator vehicle or

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SUMMARY OF THE RULE

was previously driven.

CPR 234.02

Requires that dealers who advertise **“executive” or “official” vehicles** disclose the year, make, and model of the vehicle, that it is an executive or official vehicle, and that it was previously driven. The advertisement must include the terms “Pre-Driven,” “Previously Driven,” or words of similar meaning.

CPR 234.03

Requires that dealers who advertise the sale of **lease-return vehicles** disclose the year, make, and model of the vehicle and that it was previously leased.

CPR 234.04

Requires that dealers who advertise the sale of any **used motor vehicle** disclose the year, make, and model of the vehicle.

CPR 234.05

Requires that dealers who advertise **manufacturer rebate programs** in which the dealer’s financial participation is mandatory include the phrase “DEALER PARTICIPATION IN THE REBATE PROGRAM MAY INCREASE VEHICLE PRICE BEFORE REBATE.”

CPR 234.06

Prohibits dealers from advertising specific **trade-in allowances** if the price of the vehicle is increased because of the amount of the allowance or if the advertisement fails to disclose that the

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CITATION**

SUMMARY OF THE RULE

trade-in allowance is conditioned on the purchase of additional options or services.

- CPR 234.07 Requires that dealers who advertise or offer a **dollar range for trade-ins**, such as “up to \$1,000,” disclose the dealer’s criteria for determining the amount of a particular trade.
- CPR 235.01 Requires that dealers who advertise credit terms to disclose that the advertised **credit terms** are available only on approved credit (“OAC”).
- CPR 235.01.b Permits dealers to advertise **credit terms exclusive of taxes, license and title fees, and the dealer's documentation fee** if the advertisement includes “DOES NOT INCLUDE TAXES, TITLE & LICENSE FEES, & \$_____ DEALER DOC. FEE” (insert actual amount charged for dealer documentation service fee).
- CPR 235.04 Requires disclosure of **Truth in Lending** terms.
- CPR 236 Requires disclosure of **Truth in Leasing** terms.
- CPR 237.01 Requires that dealers who offer **subject to financing purchase contracts** include in the contract in 10 point bold face type or at least 3 points larger than the smallest type appearing in the

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contract:

**YOU AND THE DEALER HAVE
AGREED THAT THE MOTOR
VEHICLE WILL BE DELIVERED TO
YOU PRIOR TO THE PURCHASE
PRICE BEING PAID IN FULL. IF
FINANCING CANNOT BE
ARRANGED ON THE TERMS AND
WITHIN THE TIME PERIOD
AGREED UPON IN THE MOTOR
VEHICLE PURCHASE CONTRACT,
THE CONTRACT IS NULL AND
VOID.**

GUIDELINE NO. 2: FEDERAL TRUTH IN LENDING & LEASING ACTS

Prior to Idaho's adoption of its Automobile Advertising and Sales Rule, federal law required motor vehicle dealers to comply with the disclosure requirements of the federal Truth in Lending Act (15 U.S.C. § 1601 et seq.), Truth in Leasing Act (15 U.S.C. § 1667 et seq.), and federal Regulations Z (12 C.F.R. § 226) and M (12 C.F.R. § 213). CPR 235.04 and 236 reinforce these federal laws and regulations.

A. TRUTH IN LENDING CREDIT SALES ADVERTISING

Advertisements offering credit for the sale of motor vehicles are offers of "closed-end credit." Such offers are governed under the Truth in Lending Act (TLA). The TLA assures that important terms regarding consumer credit and lease terms are disclosed so that consumers can compare those terms and shop wisely. The dealer must include the disclosures in the advertisement in a clear and conspicuous manner. The TLA, as well as CPR 50, prohibit advertising credit or lease terms that are not available. Dealers may not advertise a specific credit amount, a specific installment payment, a specific down payment, or a specific lease term unless the dealer can, in fact, make such arrangements for consumers with approved credit.

In accordance with the TLA and Regulation Z, as well as CPR 235.04, if an advertisement for closed-end credit contains any of the following five (5) triggering terms, the advertisement must also include three (3) specific disclosures.

TRIGGERING TERMS

1. The down payment amount whether stated as a percentage or dollar amount.
Examples: “10% down,” “\$49 down,” or “7.8% financing”
2. The payment amount whether expressed as a percentage or dollar amount.
Examples: “\$69 per month,” “Monthly payments less than \$150,” or “Pay 5% a month”
3. The number of payments.
Examples: “only 60 small payments” or “48 monthly payments”
4. The repayment period.
Examples: “36 months to pay,” “36 monthly payments,” or “Up to 72 months to pay”
5. The amount of any finance charge.
Examples: “Less than \$400 interest” or “Financing costs less than \$400”

REQUIRED DISCLOSURES: If any of the above five (5) triggering terms are used in a closed-end credit advertisement, whether or not additional non-triggering terms are present, the advertisement must include the following three (3) disclosures:

1. The amount or percentage of the down payment;
2. The terms of repayment; and
3. The “annual percentage rate,” which can be abbreviated as “A.P.R.” In addition, if the lender may increase the annual percentage rate after the

credit transaction is finalized, that fact must be disclosed.

NON-TRIGGERING TERMS

- “No down payment.”
- “10% Annual Percentage Rate loans available here.”
- “Easy monthly payments.”
- “Loans available at 5% below our standard Annual Percentage Rate.”
- “Low down payment accepted.”
- “Pay weekly.”
- “Terms to fit your budget.”
- “Financing available.”

EXAMPLES OF CREDIT SALE ADVERTISEMENTS

The following are dealer advertisements for a \$20,000 2004 Wego that illustrate the required clear and conspicuous disclosures in closed-end consumer credit advertisements. These advertisements assume that the consumer may purchase the vehicle without a down payment. In other words, the asterisk in Example No. 2 only refers to the monthly payment, **not** to the **“NO DOWN PAYMENT”** portion of the offer. Idaho requires dealers who advertise a vehicle for sale with **“NO DOWN PAYMENT”** to sell the vehicle to a consumer with approved credit without receiving a down payment or trade-in allowance (CPR 234.08).

EXAMPLE NO. 1 Tax (6%), title and license fees (\$50), and the dealer's \$15 documentation fee are included in the advertised monthly payment.

<p>2004 WEGO <i>5-spd, A/C, CD, 2-dr.</i> NO DOWN PAYMENT! 48 monthly payments of ONLY \$510.00 7% A.P.R. On Approved Credit</p>

EXAMPLE NO. 2: Tax, title and license fees, and the dealer's \$15 documentation fee are **not** included in the advertised monthly payment. This is acceptable in credit advertising if the disclosure specified in CPR 235.01.b is included.

<p>2004 WEGO 5 spd. A/C, CD, 2dr NO DOWN PAYMENT 48 monthly payments of ONLY \$479.00* 7% A.P.R. On Approved Credit</p> <hr/> <p>*Excludes taxes, title & license fees, & \$15 dealer doc. fee.</p>
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B. TRUTH IN LEASING ADVERTISING

The federal Truth in Leasing Act, Regulation M, and CPR 236, regulate consumer leases. Unless an advertisement includes certain information, a consumer may confuse leasing with purchasing on credit or may make a decision based on inadequate information.

If a consumer lease advertisement contains any of the

following two (2) triggering terms, the advertisement must also include five (5) specific disclosures.

TRIGGERING TERMS

1. The payment amount.
Example: “Pay only \$149 per month”
2. Initial payment terms.
Examples: “Zero down,” “Low down payment,” “Lease now and make no payments for three months,” or “\$49 down”

REQUIRED DISCLOSURES: If any of the above two (2) triggering terms are used in a consumer lease advertisement, then the advertisement must also include the following five (5) disclosures, as applicable:

1. The advertised transaction is a lease;
2. The total amount of any required initial payments before the lease is finalized or the motor vehicle is delivered, whichever is later;
3. Whether a security deposit is required;
4. The number, amount, and timing of lease payments; and
5. Assuming an open-ended lease, that the consumer may be liable for extra charges at the end of the lease term.

NON-TRIGGERING TERMS

- “Low monthly payments.”
- “Lease for less than it costs to buy.”

- “We lease to anyone.”
- “36-month leases.”
- “Low monthly payments on 4-year auto leases.”

IMPORTANT: Regulation M requires that, except for the periodic payment (e.g. \$229 per mo.), if an advertisement refers to a charge that is included in the total amount due at lease signing, such as the capitalized cost reduction amount or that no capitalized cost reduction is required (e.g. \$0 down, \$49 down), the total amount due at lease signing must be the same type size as the amount of any required initial payment. For example, if the advertisement states in 20 point type “\$0 down,” then the advertisement also must state in 20 point type “total amount due at lease signing is \$ ____.”

Radio and television advertisements must include disclosures 1, 2, and 4 listed above in Required Disclosures. Required Disclosures 3 and 5 may be excluded from a radio or television advertisement if the advertisement references a 1-800 telephone number or a written advertisement in a publication of general circulation in the community that the radio or television station broadcasts. However, the 1-800 number or written advertisement must include complete information about all required lease disclosures.

EXAMPLES OF LEASING ADVERTISEMENTS: The following are advertisements for closed-end consumer leases that include all clear and conspicuous disclosures required under the Truth in Leasing Act and Regulation M:

ALL 2004 WEGOS

LEASE FOR ONLY \$282 PER MO.*

*\$1,000 DUE AT LEASE SIGNING. SECURITY DEPOSIT
REQUIRED. 24 MONTHLY PAYMENTS OF \$281.78

ALL 2004 WEGOS

LEASE FOR ONLY \$49 DOWN!*

\$1,000 due at lease signing

***SECURITY DEPOSIT REQUIRED. 24 MONTHLY
PAYMENTS OF \$281.78**

IMPORTANT: If either of these advertisements were for an open-ended lease, the advertisement also must include the following: “An extra charge may be imposed at the end of the lease term if the value of the vehicle is less than its anticipated residual value.”

GUIDELINE NO. 3: INVOICE PRICING

Consumers interpret the terms “factory invoice” and “manufacturer’s invoice” as the actual dealer’s cost for the advertised vehicle. However, because of “holdbacks” and other manufacturer-to-dealer incentives, a motor vehicle’s “invoice” price may overstate the dealer’s actual cost by several hundred dollars.

The CPR requires dealers who engage in “invoice” price advertising to refer to the advertised price as the “invoice price” so as not to deceive or mislead the public (CPR 1 & 233.07). Vehicle “invoice” advertisements must disclose the following language clearly and conspicuously: “FACTORY INVOICE MAY NOT REFLECT DEALER’S ACTUAL COST.” References to a vehicle’s “invoice price” must include “factory invoice,” “manufacturer’s invoice,” or a similar phrase that clearly communicates that the invoice price is the factory or manufacturer’s invoice price. An advertised factory or manufacturer’s invoice must be the final price listed on the invoice. If an invoice price is advertised, the original or a copy of the invoice must be available for consumer inspection at the dealer’s place of business.

CPR 233.08 requires dealers to offer vehicles for sale at the advertised price. Therefore, it is unacceptable to advertise an “invoice price” and include a disclaimer such as, “plus dealer installed options.” If the dealer has a class of vehicles in stock, some with dealer installed options and some without, the dealer must include in the advertisement the number of vehicles that are available below, at, or over factory invoice (e.g. “only 6 at this price”). If the dealer already has installed the options on the advertised vehicle, the price must include the cost of the options.

For example, if a dealer offers one (1) vehicle for \$100 under

factory invoice, but intends to charge an additional \$200 for already completed undercoating and rust-proofing, the advertisement must reflect a price of “\$100 *over*” rather than “\$100 *under*” factory invoice. As to the reference to “invoice,” the advertisement must also disclose clearly and conspicuously: “FACTORY INVOICE MAY NOT REFLECT DEALER’S ACTUAL COST.”

EXAMPLES OF INVOICE AND TRUTH IN LENDING/LEASING ADVERTISEMENTS: The following advertisements comply with the Invoice Pricing and Price Advertising Rules:

EXAMPLE NO. 1:

Vehicle:	2004 Wego
Price:	\$20,000
Taxes:	\$1,200
License & Title:	\$10
Dealer Doc. Fee:	\$15
Special Offer:	\$100 below factory invoice
Truth in Lending:	No triggering terms advertised
Factory Invoice:	The price listed on the factory invoice, which is available for inspection at the dealer’s place of business.

2004 WEGO
5-spd., A/C, CD, 2-dr.

\$100 Below Factory Invoice*

Easy Monthly Payments

*Factory Invoice May Not Reflect Dealer’s Actual Cost.
Price excludes taxes, license & title fees, & \$15 Dealer Doc. Fee.

EXAMPLE NO. 2:

Vehicle:	2004 Wego
Price:	\$20,000
Taxes:	\$1,200
License & Title:	\$10
Dealer Doc. Fee:	\$15
Special Offer:	\$100 below factory invoice
Special Offer:	Only \$49 down
Truth in Lending:	Triggering term is included (Only "\$49 down")
Factory Invoice:	The price listed on the factory invoice, which is available for inspection at the dealer's place of business.
Monthly Payment:	\$477.75, excluding taxes, license and title fees, and the dealer doc. fee.

ONLY \$49 DOWN!*

2004 WEGO

5-spd., A/C, CD, 2-dr.

\$100.00 Below Factory Invoice**

*O.A.C. 48 Monthly Payments of \$477.75, 7% A.P.R.
Excludes Taxes, License & Title Fees, & \$15 Dealer Doc. Fee.

** Factory Invoice May Not Reflect Dealer's Actual Cost

The phrase "Excludes Taxes, Title & License Fees, & \$15 Dealer Doc. Fee" modifies the \$477.75 monthly payment, **not** the advertised down payment. It is deceptive for a dealer to offer vehicles for only \$49 down (or any other specified amount) when the dealer requires additional funds to finalize the sale.

EXAMPLE NO. 3:

Vehicle: 2004 Wego
Taxes: \$1,200
License & Title: \$10
Dealer Doc. Fee: \$15
Special Offer: \$100 below factory invoice
Special Offer: Only \$49 down
Truth in Leasing: Triggering term is included (Only "\$49 down")
Factory Invoice: The price listed on the factory invoice, which is available for inspection at the dealer' place of business.

LEASE FOR ONLY \$49 DOWN!*

\$1,000 Due at Lease Signing

2004 WEGO

5-spd., A/C CD 2-dr.

OR BUY FOR \$100.00 BELOW FACTORY INVOICE!**

*Security Deposit Required. 24 Monthly Payments of \$477.75.

**Factory Invoice May Not Reflect Actual Dealer Cost.

EXAMPLE NO. 4:

Vehicles: Six (6) 2004 Model "X" Wegos
Price: \$20,000
Taxes: \$1,200
License & Title: \$10
Dealer Doc. Fee: \$15
Special Offer: \$100 below factory invoice
Special Offer: Only \$49 down
Truth in Lending: Triggering term is included (Only "\$49 down")

- Factory Invoice:** The price listed on the factory invoice, which is available for inspection at the dealer's place of business.
- Monthly Payments:** \$477.75, excluding taxes, title & license fees, & \$15 dealer doc. fee.
- Limitations:** The dealer has 20 Model "X" 2004 Wegos in stock, but only 6 of them are available at \$100 below factory invoice. Also, the "\$100 under factory invoice" offer ends on Memorial Day.

ONLY \$49 DOWN!*

2004 MODEL "X" WEGOS**

\$100.00 BELOW FACTORY INVOICE!***

MEMORIAL DAY WEEKEND ONLY

*O.A.C. 48 Monthly Payments of \$477.75 @ 7% A.P.R. Price
Excludes Taxes, Title & License Fees, & \$15 Dealer Doc. Fee.

**Only 6 Available at \$49 Down & \$100 Below Factory Invoice.

***Factory Invoice May Not Reflect Dealer's Actual Cost.

GUIDELINE NO. 4: FREE GIFTS

Federal law restricts motor vehicle dealers from offering a gift to consumers as an enticement to purchase a vehicle when the consumer and the dealer are able to negotiate the vehicle's price. Therefore, consumers may be deceived if dealers use terms such as "free," "no extra charge," and "no extra cost" in their advertisements. The Federal Trade Commission's ("FTC") rule concerning use of the word "free" reflects the FTC's position that dealers are able to conceal the cost of the "free" item in the negotiated purchase price, thereby passing the cost along to the consumer. The FTC provides the following regulations concerning advertising "free" items:

If a product or service usually is sold at a price arrived at through bargaining, rather than at a regular price, it is improper to represent that another product or service is being offered "Free" with the sale . . . (16 C.F.R. § 251.1(g))

If a term other than "free" is used, the same regulation applies so that dealers cannot avoid the restriction through creative terminology:

Offers of "Free" merchandise or services which may be deceptive for failure to meet the provisions of this section may not be corrected by the substitution of such similar words and terms as "gift," "given without charge," "bonus," or other words or terms which tend to convey the impression to the consuming public that an article of merchandise or service is "Free." (16 C.F.R. § 251.1(i))

Motor vehicle purchases are negotiated transactions. Therefore, it is improper to represent that another product or

service is “free” or offered at no extra cost when a vehicle is sold.

IMPORTANT: The FTC’s Rules and Regulations are given “great weight” in construing the CPA (Idaho Code § 48-604(1)). In fact, CPR 33.01 provides that if a person violates the FTC’s Rules and Regulations, the person also has violated the CPA.

Restrictions on using “free” and similar terms, are conditioned on the purchase or lease of a product at a negotiated price. Dealers may offer a “free” gift with a test drive or visit to the dealership if the offer complies with other Idaho rules that concern “free” offers and promotional game and gift advertising (CPR Subchapters G & H).

GUIDELINE NO. 5: BELOW MARKET FINANCING & HIDDEN CHARGES

Below Market Financing. Motor vehicle manufacturers often offer below market financing as an incentive for consumers to purchase motor vehicles. Dealers who do not have the opportunity to participate in such factory-sponsored programs occasionally institute below market financing programs themselves. Typically, a dealer makes an advance payment to a financial institution in order to obtain a lower annual percentage rate or a “buy-down rate” (defined in CPR 20.10).

It is deceptive for a dealer to advertise the sale of any motor vehicle at a buy-down rate without clearly and conspicuously disclosing in the advertisement the following: “BELOW MARKET RATE MAY AFFECT PURCHASE PRICE OF CAR” (CPR 233.09).

Hidden Finance Charges. If a dealer sells a vehicle to a credit consumer for a price that is higher than the price the dealer would charge a cash consumer for the same vehicle, the dealer has charged the credit consumer for a hidden finance charge. Not offering the same discounts and rebates to credit consumers that are offered to cash consumers is another example of a hidden finance charge. Dealers must disclose hidden finance charges (the difference between the vehicle’s cash and credit price) in the dealer’s Truth in Lending calculation (CPR 233.10).

GUIDELINE NO. 6: REBATES & DISCOUNTS

A. REBATES:

Dealers may **not** advertise that consumers will receive a dealer rebate when they purchase or lease a vehicle. A dealer rebate is a payment, check, voucher, certificate, or coupon that is from the dealer, not the manufacturer, and is purportedly for the consumer (CPR 234.05).

Unlawful dealer rebates often involve giving a consumer a check, voucher, certificate, or coupon, which the consumer may keep or return to the dealer as a partial payment on a vehicle's purchase or lease price. Such rebates also include payments from the dealer to itself or to a third party for the consumer's benefit.

A dealer may advertise a rebate that the manufacturer provides. In addition, a dealer may advertise a manufacturer's rebate program that requires the dealer's financial participation if the advertisement clearly and conspicuously discloses the following: "DEALER PARTICIPATION IN THE REBATE PROGRAM MAY INCREASE VEHICLE PRICE BEFORE REBATE."

Assuming no manufacturer participation, the following phrases are prohibited in vehicle advertising:

1. "Buy a vehicle and receive a \$1,000 dealer rebate."
2. "We will match your down payment."
3. "We will make your first three (3) monthly payments."
4. "The enclosed check/voucher/certificate/coupon may be presented to our dealership for \$500 off the purchase price of any vehicle."

5. “Use the enclosed \$1,000 check/voucher/certificate/coupon toward your down payment.”
6. “\$1,000 bonus cash.”

B. DISCOUNTS:

Dealer Discounts: If a dealer advertises a price reduction due to any discount, the dealer must disclose the material terms of the discount program. For example, if a “College Graduate Discount” is advertised, the material terms of the discount must be disclosed. Other popular dealer discounts include military personnel discounts and business owner discounts.

Consumer Loyalty Programs: The manufacturer or dealer also may offer “customer loyalty” discounts. Usually, consumers are eligible for loyalty discounts if the consumer has purchased the same vehicle make and/or model in the recent past. As with all other discounts, the material terms of the manufacturer’s or dealer’s loyalty program must be disclosed in the advertisement.

C. EXAMPLES OF DISCOUNT & LOYALTY ADVERTISEMENTS:

The following examples demonstrate how dealers should disclose the material terms of advertised discounts and consumer loyalty programs:

2004 WEGO			
<i>5-spd., AC, CD, tilt, 4-dr.</i>			
\$17,000			
MSRP:			\$20,000
Wego Customer Loyalty Program:		\$ 2,000	(must own 2000-2003 Wego)
College Graduate Discount:		- \$ <u>1,000</u>	(2003 college grads only)
Final Price:			\$17,000

2004 WEGO			
<i>5-spd., AC, CD, tilt, 4-dr.</i>			
\$17,000			
MSRP:			\$20,000
Wego Customer Loyalty Program:		- \$ 2,000	
College Graduate Discount:		- \$ <u>1,000</u>	
Final Price:			\$17,000
Loyalty Program: Must own 2000-2003 Wego.			
College Graduate Discount: Must be 2003 college graduate.			

GUIDELINE NO. 7: PRICE ADVERTISING

Disclosure of All Costs: It is unfair and deceptive to advertise the price of a vehicle without including in the price all costs to the consumer at the time of sale or which are necessary or usual prior to delivery. Therefore, the advertised price must include, without limitation, any costs of freight, delivery, dealer preparation, and any other charges; provided, however, that the following may be excluded from the advertised price: taxes, and license and title fees.

Dealer Documentation Fee: A dealer documentation fee may be excluded from the advertised price if the advertisement discloses, in close proximity to the advertised price, the fee amount and that the fee is a dealer imposed fee: “PRICE DOES NOT INCLUDE \$ _____ (insert actual amount charged for dealer documentation service fee) DEALER DOC FEE.” A dealer may not refer to the dealer documentation fee as a “DOC fee.”

Charging a consumer a dealer documentation fee when its existence is not disclosed violates CPR 233.01 and CPR 233.08, which make it unlawful to refuse to sell a vehicle for the advertised price.

Price Itemization: Questions arise about advertisements that list specific items that are included in the total vehicle price. The following advertisement, which assumes no dealer documentation fee, is illustrative:

2004 WEGO	
5-spd, A/C, CD, 2-door	
BASE PRICE:	\$15,000
FREIGHT:	\$ 325
<u>WEATHER KIT:</u>	<u>\$ 100</u>
TOTAL PRICE:	\$15,425

CPR 233.01 allows dealers to itemize an advertised price if **the total vehicle price (i.e. the \$15,425 in the above example) is included directly adjacent to the itemization and is as clear and conspicuous as the most prominent portion of the itemization.** Therefore, the above example is an acceptable form of advertising. However, the total vehicle price may not be disclosed with an asterisk that refers the consumer elsewhere in the advertisement. For example, the following ad is not acceptable form of advertising:

2004 WEGO
5-spd, A/C, CD, 2-door
\$15,000*
 *Total price of \$15,425 includes \$325 freight and \$100 weather kit

If a dealer advertises a price itemization on television and a price less than the total sale price of the vehicle is stated in the advertisement, the dealer must state the total sale price **in the audio portion of the advertisement** directly after the price itemization and following the phrase “total sale price” or another phrase of like meaning. A vehicle’s total sale price in a price itemization advertisement **may not** be disclosed in the printed portion of the television

advertisement. The requirements for radio price itemization advertisements are identical to the foregoing television advertising requirements.

Price Matching: Phrases such as “meet your best offer” or “we won’t be undersold” or that suggest that a dealer will beat or match a competitor’s price, are prohibited under CPR 233.05 unless the advertisement discloses the dealer’s price matching policy and its limitations. The dealer may not require the consumer to present evidence that places an undue burden on the consumer. The following example satisfies CPR 233.05:

AUTOMAN WEGO MEANS BUSINESS!

WE WON’T BE UNDERSOLD!*

2004 WEGO

5-spd, A/C, CD, power everything, tilt 2-dr.

ONLY \$16,999**

Terms to fit your budget. – Low down payment accepted.

*Automan will match offers or ads dated within the past 3 days from all Happy Valley Wego dealers for new, in-stock vehicles that are/have the same year, make, model, and options.

**PRICE EXCLUDES \$15 DEALER DOC. FEE.

EXAMPLE ADVERTISEMENT VIOLATIONS

EXAMPLE NO. 1:

THE BIG EVENT!

2004 CAR A - \$69.00 DOWN - \$69.00 PER MONTH*

2004 CAR B WEGO - \$79.00 DOWN - \$79.00 PER MONTH*

2004 CAR C WEGO - \$99.00 DOWN - \$ 99.00 PER MONTH*

*\$69 down \$69 per month, \$79 Down \$79 per month, \$99 Down \$99 per month, (60 months on Car A & Car B; 72 months on Car C). 11.5% annual percentage rate on approved credit. Dealer pays you the difference between your payment (with the down payment in this ad) and the payment of the vehicle you select (\$69, \$79, \$99 per month) up front so your payment is actually this amount for a specified term which varies by model. All details fully disclosed when selection of your vehicle occurs. Number of reimbursed payments not to exceed 6 payments. All rebates and incentives retained by dealer. All vehicles subject to prior sale. Any customer owing more on their vehicle than the wholesale actual cash value not eligible for payments this low. Free Appraisals. Not a lease. Plus tax, title and license.

VIOLATIONS:

1. **CPR 232.02:** The disclosure at the bottom of the advertisement confuses, contradicts, materially modifies, or unreasonably limits the principal message of the advertisement.
2. **CPR 232.03:** The disclosure print size is too small to be readily noticeable.
3. **CPR 235.01.b:** The amount of the dealer documentation fee is absent. This is acceptable if the dealer either does not charge a documentation fee or the fee is calculated into the advertised payments.
4. **CPR 235.04:** The Truth in Lending disclosures fail to provide the specific escalating monthly

payment amounts for the vehicle advertised, and the disclosures do not meet the *clear and conspicuous* standard for the reasons stated in Nos. 1 and 2.

EXAMPLE NO. 2: (assume a closed-in lease)

<p>THE BIGGER EVENT!</p> <p>2004 CAR A</p> <p><i>5-spd., A/C, CD, tilt, power everything</i></p> <p>Only \$299.00* Per Month!</p>
<p><i>*Payment based on 48 month lease. Security deposit required at signing.</i></p>

VIOLATIONS:

1. **CPR 232.05:** The disclosure at the bottom of the page is not clear and conspicuous because the shading makes the text confusing and/or difficult to read.
2. **CPR 236:** Complete Truth in Leasing disclosures are absent and none of the required disclosures are clearly and conspicuously made.

EXAMPLE NO. 3:

<p>THE BIGGEST EVENT!</p> <p>••WE WON'T BE UNDERSOLD ••</p> <p>CAR A*</p> <p><i>5-spd., A/C, CD, cruise, tilt, power locks</i></p> <p>ONLY \$9,999.00!*</p> <p>Terms to fit your budget. Low down payment accepted.</p> <hr/> <p><small>*ADVERTISED. PRICE EXCLUDES \$15 DEALER DOC. FEE</small></p>
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VIOLATIONS:

1. **CPR 234.04:** Advertisement fails to disclose the vehicle's year, make, and model.
2. **CPR 233.05:** The term "we won't be undersold" is a price matching claim that must include a clear and conspicuous disclosure of the dealer's price matching policy and limitations.

EXAMPLE NO. 4: (assume a 3-day sale of 4 executive cars)

<p>THE MOTHER OF ALL EVENTS</p> <p>2003 A CARS! <i>All under 10,000 miles</i></p> <p>ONLY \$9,999! <i>Reduced \$7,000</i></p> <p>Pay only \$179 per month!</p> <p>2% FINANCING AVAILABLE</p>

VIOLATIONS:

1. **CPR 234.02:** This advertisement fails to disclose the vehicle's year, make, and model and that the vehicle is an executive or official vehicle that was driven previously (i.e., "Pre-Driven" or "Previously Driven").
2. **CPR 233.02:** If the dealer does not have enough vehicles in stock to meet reasonable public demand, the dealer must disclose the available number of vehicles that are subject to the offer.

If a sale is limited to 14 days or less, the dealer must disclose the period of time during which the offer is effective. The dealer must also disclose any other material restrictions.

3. **CPR 233.01:** Other than taxes and license and title fees, the total price of the vehicle advertised must include all costs for which the consumer is responsible at the time of sale and all costs which are necessary or usual prior to delivery of the

vehicle. Such costs include, but are not limited to, freight, delivery, dealer preparation, and other charges of any nature. If a dealer documentation fee is excluded from an advertisement, it is assumed that either the dealer does not charge such a fee or the dealer has already calculated the fee into the price. A dealer may not exclude the fee from an advertisement and then include it in the sale contract.

4. **CPR 61.02 & 62.01:** The savings claim “reduced \$7,000” is subject to subchapter F of the CPR, which governs deceptive, comparative, reference, and wholesale pricing.

It is presumed that the advertised price of \$9,999 when used in connection with the savings claim is a comparison between the dealer’s present price of the vehicle and the dealer’s bona fide, regular price of the vehicle. The message conveyed, therefore, is that every in-stock Executive Car A is reduced \$7,000 from the dealer’s bona fide, regular price of \$16,999. The dealer may not base this savings claim on a comparison between the price of a used Car A and the price of a new Car A or to the price of any other new vehicle.

5. **CPR 235.01 & 235.04:** Advertising payments of “\$179 per month” requires disclosure of the following terms: (a) the advertised credit terms are available only “On Approved Credit,” or “O.A.C.,” (b) the amount or percentage of the down payment; (c) the terms of repayment; and (d) the annual percentage rate or “A.P.R.” If the lender may increase the annual percentage rate after the credit transaction is finalized, that fact must be disclosed. The dealer documentation

service fee, taxes, and license and title fees are excluded, so such fees and taxes must be included in the \$179 monthly payment.

6. **CPR 233.09:** If the term “2% Financing Available” is a “buy-down” rate that the dealer is offering (i.e. a financing rate which, as a result of a seller’s advance payment of finance charges to a third party, is below the prevailing market financing rate (see CPR 20.10)), the advertisement must include: “BELOW MARKET RATE MAY AFFECT PURCHASE PRICE OF CAR.”
7. **CPR 235.03:** If the 2% financing rate is limited in any way, such limitations must be disclosed. Such limitations may apply only to: (a) certain models; (b) a consumer who purchases additional options or services; (c) increases in the final vehicle price or the price of options or services; (d) the time period the rate is available; or (e) any other conditions, qualifications, or limitations which materially affect the availability of the rate.

EXAMPLE NO. 5: (assume vehicle offered is a demonstrator)

AUTOMAN’S WEEKEND SPECIAL

RED 2-DOOR WEGO

PUSH, PULL, OR DRAG

*YOUR OLD CAR TO OUR LOT & GET UP TO
\$2,000 TRADE-IN VALUE TOWARDS YOUR WEGO!*

We offer credit to anyone. You name the price & we name the terms.
You do the driving & we do the thinking. Come to Automan --
where the more you spend, the more you save!

VIOLATIONS:

1. **CPR 234.01:** The advertisement fails to disclose: the year, make, and model of the demonstrator vehicle and that it is a “demonstrator” or previously driven vehicle.
2. **CPR 234.06 and 234.07:** Dealers are prohibited from advertising specific trade-in allowances if: (a) the vehicle price is increased because of the allowance amount, or (b) the advertisement fails to disclose that the trade-in allowance is conditioned on the purchase of additional options or services. Additionally, dealers who offer a range of amounts for trade-ins must disclose the dealer’s criteria for determining the trade-in amount.

EXAMPLE NO. 6: (assume lease return & dealer rebate)

<p>AUTOMAN’S WEEKEND SPECIAL</p> <p>RED 2-DOOR WEGO <i>low mileage • great car</i></p> <p>OR</p> <p>BUY A 2004 WEGO THIS WEEKEND & GET A \$1,000 REBATE!</p>
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VIOLATIONS:

1. **CPR 234.03:** The advertisement fails to disclose the vehicle’s year, make, and model and that it is a previously leased vehicle.
2. **CPR 234.05:** Dealers are prohibited from offering rebates in Idaho unless the rebate is an

authorized manufacturer's rebate. A dealer may advertise a manufacturer's rebate in which the dealer does not financially participate. A dealer also may advertise a manufacturer's rebate for which the manufacturer requires the dealer's financial participation if the dealer discloses in the advertisement: "DEALER PARTICIPATION IN THE REBATE PROGRAM MAY INCREASE VEHICLE PRICE BEFORE REBATE."

FREQUENTLY ASKED QUESTIONS

Q: May a dealer advertise “200 CARS IN STOCK” and feature a very low price in big, bold print, but disclose by use of an asterisk or footnote the fact that only one car is available at the advertised price?

A: No. Every material limitation of an advertised offer must be stated clearly and conspicuously in the ad. This includes disclosing the number of vehicles in stock that are subject to the offer if the number is not likely to meet reasonably expected public demand.

Q: Must a dealer be ready to sell the vehicle that is presented in an advertisement?

A: Yes. A reasonable consumer expects a dealership to have available what it illustrates in its advertisements. For example, if the ad shows a van with seats, the advertised price must be the price charged for vans with seats, not for cargo vans.

Q: May a dealer advertise phrases such as “write your own deal” or “name your own credit terms”?

A: No. Dealers may not use phrases that are obviously false.

Q: Even if the advertised claims are a little questionable, what’s the harm? The dealer can clear up any misperceptions at the dealership.

A: The bait-and-switch advertising rule prohibits such tactics. Dealers can encourage consumers to visit their dealerships through straightforward, truthful advertising.

Q: If a dealer advertises a vehicle at \$10,000, can the dealer later add charges for rust proofing, undercoating, extended warranties, and other costs when the sale is finalized?

A: No. A dealer may not advertise or negotiate the terms of a sale and then add additional costs to the contract without previously disclosing them to the consumer and obtaining the consumer's consent. The only previously undisclosed charges that a dealer can add to the price at the time of sale without the consumer's prior consent are government-required charges -- taxes and license and title fees.

Q: May a dealer use the slogan "Lowest Prices in Town"?

A: Yes, if the dealer systematically monitors competitive area prices and can substantiate the claim.

Q: May a dealer use the slogan "We Won't Be Undersold"?

A: Yes, if the dealer meets the following three (3) conditions: (1) the price-matching claim is true; (2) the dealer's advertisements clearly and conspicuously disclose the dealer's price-matching policy and limitations; and (3) the dealer's price-matching policy does not impose an unreasonable burden on the consumer.

Q: Sometimes a dealership's salespersons tell consumers things in sales presentations that the dealership has not authorized. Are the dealership and its owners responsible for salespersons who make unauthorized statements?

A: Yes. Salespersons are agents of the dealership. The dealership is liable for what its employees say and do while acting within the scope of their employment.

Q: What's wrong with advertising cars at "\$100 below dealer's cost"?

A: Advertising that vehicles are available at "cost," "dealer's cost," "dealer's price," "actual cost," or otherwise is inherently misleading because those terms are imprecise. "Dealer's price" or "dealer's cost" to one consumer means the wholesale cost of a vehicle to be resold. Another consumer may think it includes all the costs of sale, including overhead expenses. A third consumer may believe it is a cost or price representation prepared by a manufacturer even if the representation is not what it purports to be. Advertising price savings using such imprecise terms often misleads consumers.

Q: May a dealer advertise "No Money Down" and still require consumers to pay taxes, and license and title fees at the time of sale?

A: No. A reasonable consumer may interpret phrases such as "No Money Down," "Nothing Down," "No Down Payment," to mean that, subject to approved credit, the dealer will sell the advertised vehicle without requiring a trade-in or prior payment of **any kind**.

Q: May a dealer advertise that the vehicle price is "Reduced \$2,000"?

A: Dealers may advertise a discount only if the discount is valid. In other words, the dealer must calculate the discount based on the bona fide regular price of the

advertised vehicle. A dealer may use the vehicle's M.S.R.P. as a reference price. This is a special exception for vehicle dealers because manufacturer's stickers must be posted. However, the M.S.R.P. may not be used to create a false impression that the dealer is offering a special discount. For example, if true, it is lawful to say: "Our truck prices are always \$500 under M.S.R.P." However, it is unlawful to say, "LIMITED TIME ONLY!!! \$500 BELOW RETAIL!!!" if the "retail" is the M.S.R.P., and the car normally is sold at \$500 below the M.S.R.P. It is also deceptive to use fictitious "retail" or "list" prices that are not in fact the M.S.R.P. referred to in the federal law. In addition, it is unlawful bait-and-switch advertising to advertise a vehicle at a price (albeit the M.S.R.P.) that is lower than the price at which the dealer will actually sell the vehicle.

Q: May a dealer offer "free" coffee, doughnuts, and balloons?

A: Yes. These "free" offers are fine because they are not conditioned on the purchase of a vehicle. Offering "free" items to consumers for visiting a dealership or for taking a test drive does not violate FTC Guidelines for use of the word "free" and similar terms (16 C.F.R. § 251).

Q: In lease advertisements, may a dealer advertise "\$0 down" even if the dealer requires payments for a security deposit, first month's payment, or an acquisition fee?

A: Yes, but with limitations. Except for the statement of a periodic payment, any reference in an advertisement to a charge that is a part of the total amount due at lease signing, such as the amount of

any capitalized cost reduction or that no capitalized cost is required, **must not be more prominent** than the disclosure of the total amount due at lease signing. Therefore, if a “\$0 down” claim is in 20-point type in a television ad and appears for 15 seconds on the screen, then the statement “\$_____ due at lease signing” also must appear in the ad in the same 20-point type and for 15 seconds, with the blank containing the total amount due at lease signing.

Q: May a dealer offer a free television or vacation as an incentive to buy a vehicle?

A: The Dealer Rebate Rule only prohibits the offering of money, not goods or services. However, under 16 C.F.R. § 251, offering free items as part of the sale of a vehicle violates federal regulations for use of the word “free” and similar terms.

Q: May a dealer send consumers a coupon, voucher, certificate, or check for an amount of money to apply towards a vehicle?

A: No. This is a dealer rebate. CPR 234.05 prohibits dealers from advertising that a consumer will receive a payment of money in conjunction with the purchase or lease of a vehicle. The only exception to this rule is advertising manufacturer rebates. Also, a dealer may advertise a manufacturer rebate that requires the dealer’s financial participation if the dealer clearly and conspicuously discloses in the advertisement the following: “DEALER PARTICIPATION IN THE REBATE PROGRAM MAY INCREASE VEHICLE PRICE BEFORE REBATE.”

Assuming the rebate is not from the manufacturer, the following advertisement examples are prohibited:

“Buy a vehicle and receive a \$1,000 dealer rebate.”

“We will match your down payment.”

“We will make your first three monthly payments.”

“The enclosed check/voucher/certificate/coupon may be presented to our dealership for \$500 off the price of any vehicle purchased.

“Use the enclosed \$1,000 check/voucher/certificate/coupon toward your down payment.”

Q: What does “clear and conspicuous” mean?

A: CPR 20.11 defines “clear and conspicuous” as meaning a statement or representation that is reasonably close to the term it clarifies, modifies, or explains. The disclosure must also be reasonably noticeable and understandable and must not contradict or substantially alter any term it purports to clarify, modify, or explain.

Consumer Protection Manuals

Buying a Home	Landlord and Tenant Guidelines
Charitable Giving	A Parents' Guide to Social Networking Websites
Credit and Debt	Pyramids, Gift Schemes & Network Marketing
Foreclosure Prevention and Foreclosure Scams: How to Tell the Difference	Residential Construction
Guidelines for Motor Vehicle Advertising in Idaho	Rules of Consumer Protection
Idaho Consumer Protection Manual	Rules of Telephone Solicitations
Idaho Lemon Law	Senior Citizens Manual
Identity Theft	Service on an Idaho Nonprofit Board of Directors
Internet Lingo Dictionary	Telephone Solicitation
Internet Safety	Young Adult Handbook

Funds collected by the Attorney General's Consumer Protection Division as the result of enforcement actions paid for these pamphlets. No tax monies were used to pay for these publications.

The Consumer Protection Division enforces Idaho's consumer protection laws, provides information to the public on consumer issues, and offers an informal mediation process for individual consumer complaints.

If you have a consumer problem or question, please call (208) 334-2424 or in-state toll-free (800) 432-3545. TDD access and Language Line translation services are available. The Attorney General's website is available at www.ag.idaho.gov.